

**Eastern Upper Peninsula  
Regional Planning  
and Development Commission**

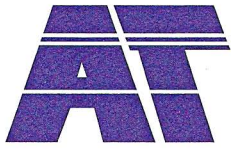
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**BASIC FINANCIAL STATEMENTS**

**September 30, 2008**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Eastern Upper Peninsula Regional Planning  
and Development Commission  
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Eastern Upper Peninsula Regional Planning and Development Commission as of and for the year ended September 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund, and the aggregate remaining fund information of the Eastern Upper Peninsula Regional Planning and Development Commission as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 17, 2008

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

**The Commission as a Whole**

The Commission's combined net assets increased .4% from a year ago from \$79,766 to \$80,079. In a condensed format, the table below shows the net assets of the Eastern Upper Peninsula Regional Planning and Development Commission.

	Governmental Activities 2007	Governmental Activities 2008
Current Assets	\$ 130,760	\$ 113,421
Noncurrent Assets	<u>3,840</u>	<u>2,359</u>
Total Assets	<u>\$ 134,600</u>	<u>\$ 115,780</u>
Current Liabilities	52,014	32,703
Long-Term Liabilities	<u>\$ 2,820</u>	<u>\$ 2,998</u>
Total Liabilities	<u>54,834</u>	<u>35,701</u>
Net Assets		
Invested in Capital Assets	3,840	2,359
Unrestricted	<u>75,926</u>	<u>77,720</u>
Total Net Assets	<u>\$ 79,766</u>	<u>\$ 80,079</u>

The current level of unrestricted net assets for our governmental activities stands at \$77,720, or about 21% of expenditures. This is within the targeted range set by the Commission's Board of Directors during its last budget process.

# Eastern Upper Peninsula Regional Planning and Development Commission

## Management's Discussion and Analysis September 30, 2008

The following table shows the activities of the Commission.

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2008</u>
Program Revenues		
Charges for Services	\$ 6,317	\$ 3,600
Operating Grants and Contributions	<u>218,319</u>	<u>358,239</u>
Total Revenues	<u>224,636</u>	<u>361,839</u>
Program Expenses		
Planning/Economic Development	<u>265,827</u>	<u>361,526</u>
Total Expenses	<u>265,827</u>	<u>361,526</u>
Changes in Net Assets	(41,191)	313
Net Assets - Beginning	<u>120,957</u>	<u>79,766</u>
Net Assets - Ending	<u>\$ 79,766</u>	<u>\$ 80,079</u>

### **Governmental Activities**

The Commission's total governmental revenues increased by approximately \$137,203, primarily due to several new grants in the current year.

Expenses increased by \$95,699 during the year. This was primarily the result of the grant expenses incurred to match the increase of revenue received.

### **Capital Asset and Debt Administration**

At the end of 2008, the Commission had \$2,359 invested in a broad range of capital assets, including equipment. Capital acquisitions in the current year were \$1,543.

Long-term liabilities increased by \$178 for compensated absences.

**Contacting the Commission's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the office, by mail at 524 Ashmun Street, Sault Ste. Marie, Michigan 49783, or by phone at (906) 635-1581.



## **Basic Financial Statements**

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# Eastern Upper Peninsula Regional Planning and Development Commission

## Statement of Net Assets September 30, 2008

	Governmental Activities
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and Equivalents	\$ 42,573
Due from Governmental Units	68,670
Prepaid Expenses	2,178
Total Current Assets	113,421
<b>Noncurrent Assets</b>	
Capital Assets, (Net of Accumulated Depreciation)	2,359
Total Assets	\$ 115,780
<b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 22,400
Accrued Liabilities	1,968
Deferred Revenue	8,335
Total Current Liabilities	32,703
<b>Long-Term Liabilities</b>	
Accrued Compensated Absences	2,998
Total Liabilities	35,701
<b>NET ASSETS:</b>	
Invested in Capital Assets	2,359
Unrestricted	77,720
Total Net Assets	\$ 80,079

**Eastern Upper Peninsula Regional Planning  
and Development Commission**

**Statement of Activities  
For the Year Ended September 30, 2008**

		Program Revenues		Governmental
		Charges for Services	Operating Grants	Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses			
<b>Functions/Programs</b>				
Governmental Activities:				
Planning / Community Development	\$ 361,526	\$ 3,600	\$ 358,239	\$ 313
Total Governmental Activities	<u>\$ 361,526</u>	<u>\$ 3,600</u>	<u>\$ 358,239</u>	
<b>Changes in Net Assets</b>				313
Net Assets - Beginning				<u>79,766</u>
Net Assets - Ending				<u>\$ 80,079</u>

# Eastern Upper Peninsula Regional Planning and Development Commission

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## Balance Sheet Governmental Fund September 30, 2008

	<u>General Fund</u>
<b>Assets:</b>	
Cash and Equivalents - Unrestricted	\$ 42,573
Due from Governmental Units	68,670
Prepaid Expenses	<u>2,178</u>
Total Assets	<u><u>\$ 113,421</u></u>
<b>Liabilities:</b>	
Accounts Payable	\$ 22,400
Accrued Liabilities	1,968
Deferred Revenue	8,335
Due to Other Funds	<u>8,330</u>
Total Liabilities	<u>41,033</u>
<b>Fund Balance:</b>	
Unreserved and Undesignated	<u>72,388</u>
Total Fund Balance	<u>72,388</u>
Total Liabilities and Fund Balances	<u><u>\$ 113,421</u></u>

**Eastern Upper Peninsula Regional Planning  
and Development Commission**

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**Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Assets  
September 30, 2008**

Total Fund Balances – governmental fund \$ 72,388

Amounts reported for governmental activities in the statement of net  
assets are different because:

Capital Assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. These  
consist of:

Equipment and Furniture	25,612
Accumulated Depreciation	<u>24,858</u>

Total Capital Assets 754

Some liabilities are not due and payable in the current period  
and therefore are not reported in the funds. These consist of:

Compensated Absences	(2,998)
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Internal Service funds included with governmental activities	<u>9,935</u>
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Net Assets of Governmental Activities	<u>\$ 80,079</u>
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**Eastern Upper Peninsula Regional Planning  
and Development Commission**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Governmental Fund  
For the Year Ended September 30, 2008**

	General Fund
<b>Revenues</b>	
Fees and Collections	\$ 45
Federal Sources	176,664
State Sources	117,354
Local Sources	64,176
Total Revenues	358,239
<b>Expenditures</b>	
Planning/Community Development	352,685
Total Expenditures	352,685
Excess (Deficiency) of Revenues Over Expenditures	5,554
Fund Balance - October 1, 2007	66,834
Fund Balance - September 30, 2008	\$ 72,388

**Eastern Upper Peninsula Regional Planning  
and Development Commission**

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**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balance of  
Governmental Fund to the Statement of Activities  
For the Year Ended September 30, 2008**

Net Change in Fund Balance – Total Governmental Funds \$ 5,554

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$0) exceeded depreciation (\$624) in the current period. 624

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences (178)

Internal Service fund activity included in governmental funds (4,439)

Changes in Net Assets of Governmental Activities \$ 313

**Eastern Upper Peninsula Regional Planning  
and Development Commission**

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**Statement of Net Assets  
Proprietary Fund  
September 30, 2008**

	<u>Internal Service Fund</u>
<b>Assets:</b>	
Due from Other Funds	\$ 8,330
Capital Assets (Net of Accumulated Depreciation)	<u>1,605</u>
<b>Total Assets</b>	<u><u>\$ 9,935</u></u>
<b>Net Assets:</b>	
Invested in Capital Assets	\$ 1,605
Unrestricted	<u>8,330</u>
<b>Total Net Assets</b>	<u><u>\$ 9,935</u></u>



**Eastern Upper Peninsula Regional Planning  
and Development Commission**

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**Statement of Revenue, Expenses, and  
Changes in Net Assets - Proprietary Fund  
For the Year Ended September 30, 2008**

	<u>Internal Service Fund</u>
<b>Operating Revenue:</b>	
Current user charges	\$ <u>3,600</u>
<b>Operating Expenses:</b>	
Depreciation	2,401
Supplies and other	<u>5,638</u>
<b>Total Operating Expenses</b>	<u>8,039</u>
Changes in Net Assets	(4,439)
Net Assets, beginning of year	<u>14,374</u>
<b>Net Assets, end of year</b>	<u><u>\$ 9,935</u></u>

**Eastern Upper Peninsula Regional Planning  
and Development Commission**

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended September 30, 2008**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Internal Activity – Payments/Receipts with Other Funds	\$ <u>1,544</u>
Net Cash Provided (Used) by Operating Activities	<u>1,544</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Assets Purchased	<u>(1,544)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities)	<u>(1,544)</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	-
Cash and Equivalents – Beginning of the Year	<u>-</u>
<b>Cash and Equivalents – End of Year</b>	<u><u>\$ -</u></u>
<b>Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>	
Changes in Net Assets	\$ (4,439)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	2,401
Change in Assets and Liabilities:	
Due from Other Funds	<u>3,582</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,544</u></u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Eastern Upper Peninsula Regional Planning and Development Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Commission:

**A – Financial Reporting Entity:**

Eastern Upper Peninsula Regional Planning and Development Commission (the “Commission”) was established by the Board of Commissioners of Chippewa, Luce, and Mackinac Counties. The Commission’s purpose is to discuss and study community challenges and problems of mutual interest and concern, and to mutually develop policies and recommendations for ratification and implementation by the region’s local governments. Membership in this Commission consists of the local government of the three County area and other appointed officials.

The financial statements include all of the funds and account groups relevant to the operations of the Commission. There are no separately administered organizations that are controlled by or are dependent on the Commission; therefore, no additional organizations are included in the financial statements.

**B – Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be available only when cash is received by the Commission.

The Commission reports the following major governmental funds:

**General Fund**

This is the Commission's primary operating fund. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund.

The Commission also reports the following fund type:

**Internal Service Fund**

This fund accounts for purchases of equipment for the various departments of the Commission.

**D - Assets, Liabilities, and Net Assets or Equity:**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Equipment and Furniture	3-10 years
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Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgets – The Commission is not required to adopt an operating budget by law; therefore, no budgetary comparison has been included in the financial statements.

**NOTE 3 - CASH AND EQUIVALENTS**

At year end, the Commission's cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Equivalents:	
- Unrestricted	<u>\$ 42,573</u>
Total	<u><u>\$ 42,573</u></u>

The breakdowns for deposits are as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$ 42,573</u>
Total	<u><u>\$ 42,573</u></u>

**NOTE 3 - CASH AND EQUIVALENTS (Continued)**

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Commission has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of year end, \$0 of the Commission's bank balance of \$56,739 was exposed to credit risk.

**Statutory Commission:**

Michigan law (Public Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

**NOTE 3 - CASH AND EQUIVALENTS (Continued)**

- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**NOTE 4 - GRANTS RECEIVABLE**

The following is a summary of government fund type grants/contracts receivable at September 30, 2008:

State of Michigan	\$	30,186
Michigan Council of Arts		1,100
Michigan Department of Transportation		30,952
State of Michigan – CDBG		5,665
Misc./Other		<u>767</u>
Total	\$	<u><u>68,670</u></u>

**NOTE 5 - CAPITAL ASSETS**

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
Assets being depreciated:				
Other capital assets:				
Furniture, fixtures & equipment	\$ <u>44,664</u>	\$ <u>1,544</u>	\$ <u>-</u>	\$ <u>46,208</u>
Subtotal	<u>44,664</u>	<u>1,544</u>	<u>-</u>	<u>46,208</u>
Accumulated depreciation:				
Furniture & fixtures	<u>(40,824)</u>	<u>(3,025)</u>	<u>-</u>	<u>(43,849)</u>
Subtotal	<u>(40,824)</u>	<u>(3,025)</u>	<u>-</u>	<u>(43,849)</u>
Net Capital Assets	\$ <u><u>3,840</u></u>	\$ <u><u>(1,481)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,359</u></u>

Depreciation expense for the fiscal year ended September 30, 2008 amounted to \$3,025.



# Eastern Upper Peninsula Regional Planning and Development Commission

Notes to Financial Statements  
September 30, 2008

## NOTE 6 – LONG-TERM OBLIGATION

The following is a summary of the Commission's long-term obligations as of September 30, 2008 and the transactions during the year then ended:

General long-term debt:

	October 1, 2007	Increases	Decreases	September 30. 2008
Accrued liability for vested compensated absences	\$ 2,820	\$ 178	\$ -	\$ 2,998

## NOTE 7 – DEFINED CONTRIBUTION PLAN

The Commission has established a TSA Plan under Internal Revenue Code 403(b) which covers all full time employees with permanent status who are at least 21 years of age and have successfully completed the 90 day probationary period. Employees are immediately vested in the plan. Employees may contribute up to 20% of their gross salary. The Commission matches the employee's contribution up to 10% of the employee's gross salary. For the year ended September 30, 2008, the Commission contributed \$17,070 including employee contributions of \$5,690. All employees participate in the plan and eligible wages totaled \$121,844.

## NOTE 8 – CONTINGENCIES

The Commission receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination could become a liability of the applicable fund. It is the opinion of administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types.

## NOTE 9 – INTERFUND RECEIVABLE/PAYABLE

During fiscal 2008, various transactions occurred for computer usage resulting in the following interfund transactions:

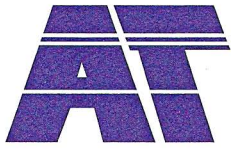
DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS	
		General Fund
	Internal Service	\$ 8,330

**NOTE 9 – INTERFUND RECEIVABLE/PAYABLE (Continued)**

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 10 - RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Board of Directors  
Eastern Upper Peninsula  
Regional Planning & Development Commission  
524 Ashmun  
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Eastern Upper Peninsula Regional Planning and Development Commission for the year ended September 30, 2008, and have issued our report thereon dated November 17, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 24, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on October 24, 2008.

**Significant Accounting Policies**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Eastern Upper Peninsula Regional Planning and Development Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreement with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 17, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Comments and Recommendations***

**Lease Agreement: (Prior Year)** The Commission does not have a current signed lease for space costs from the Community Action Agency. Federal regulations require that all rental agreements be in written form.

Status: No Change.

**Conclusion**

This Information is intended solely for the use of federal awarding agencies, pass-through entities and management of the EUP Regional Planning & Development Commission and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

November 17, 2008